

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
FEA-01 /086 W

-----023647 012152Z /70

P R 011808Z DEC 77

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC PRIORITY 118

INFO AMEMBASSY PORT AU PRINCE

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

AMEMBASSY GEORGETOWN

AMEMBASSY BRIDGETOWN

AMEMBASSY SANTO DOMINGO

AMEMBASSY PARAMARIBO

AMCONSUL BELIZE

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E.O. 11652: N/A

TAGS: ECON, ETRN, EFIN, EAID, BF

SUBJ: CARIBBEAN TASK FORCE - TRADE ISSUES

REF: (A) STATE 265255 (B) NASSAU A-19

1. BAHAMAS PRINCIPAL WORLDWIDE EXPORTS (MORE THAN ONE
MILLION DOLLARS FOR EACH YEAR 1975 AND 1976) ARE: RUM,
CEMENT, SALT (CRUDE, SOLAR); ARAGONITE, HORMONES, AND
RE-EXPORTS OF VARIOUS REFINED PETROLEUM PRODUCTS -
CHIEFLY MOTOR SPIRITS, AVIATION FUEL, DISTILLATE
FUELS AND RESIDUAL FUEL OILS. AS NOTED IN MOUR MOST
RECENT ECONOMIC TRENDS REPORT (REF B) BAHAMAS EXPORTS
TO US ROSE FROM DOLS 230.7 MILLION (73 PERCENT TOTAL) IN 1975
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TO DOLS 278.9 MILLION IN 1976 (71.2 PERCENT TOTAL).
THESE FIGURES DO NOT, HOWEVER, INCLUDE RE-EXPORTS OF VARIOUS
PETROLEUM PRODUCTS FROM FREEPORT. TRADE FIGURES FOR 1977
ARE NOT
YET AVAILABLE. HOWEVER, WE CAN SAY WITH
CERTAINTY THAT INDUSTRIAL PRODUCTION IS THIRD
MOST IMPORTANT SECTOR OF ECONOMY, FOLLOWING

TOURISM - ITS MAINSTAY, AND BANKING.

2. EMBASSY FEELS U.S. TARIFF AND NON-TARIFF BARRIERS ARE NOT OBSTACLE TO LEVEL AND GROWTH OF BAHAMIAN EXPORTS TO US. RATHER, SIZE AND COMPOSITION OF EXPORTS ARE LARGELY DUE TO AVAILABILITY OF NATURAL RESOURCES IN THE BAHAMAS, AND THE FACT THAT MAJOR EXPORT INDUSTRIES (WITH EXCEPTION OF ONE) AND MAJOR RE-EXPORT INDUSTRIES ARE WHOLLY OWNED US-SUBSIDIARIES WITH MARKETS TIED TO US BECAUSE OF LOCATION AND RELATIONSHIP TO PARENT COMPANIES.

3. OF THE FOUR PRODUCTS CITED IN REFTEL (A), PARA 1, AS EXAMPLE OF US PROTECTIONIST INTENT, ONLY RUM IS PRODUCED IN THE BAHAMAS. ACCORDING TO BAHAMAS STATISTICS TOTAL RUM EXPORTS IN 1975 WERE \$13,561,000 AND IN 1976 \$10,256,000. DECREASE IN FIGURE IN 1976 ID DUE TO FACT THAT BACARDI AND CO. LTD. (LOCATION NASSAU, NEW PROVIDENCE - WTDR NASSAU 1751) MADE TWO LARGE SHIPMENTS IN DECEMBER 1975 THUS DEPRESSING TOTAL RUM EXPORTS STATISTICS FOR FIRST HALF OF 1976. BACARDI RUM EXPORTS TO US IN 1976 WERE \$344,000 AND WENT CHIEFLY TO US DUTY-FREE STORES. MAJORITY OF BACARDI EXPORTS ARE DESTINED FOR CANADA OR UK. BACARDI PLANT IN PUERTO RICO HAS U.S. MAINLAND AS PRINCIPAL MARKET BECAUSE OF DUTY-FREE ENTRY. OTHER MAJOR RUM MANUFACTURER IS IN LIMITED OFFICIAL USE

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FREEPORT - RON MATUSALEM LTD., WHICH BOTTLES UNDER THE LABEL TODHUNTER MITCHELL (NASSAU 1010) IS PRIMARILY DOMESTIC INDUSTRY BUT ALSO EXPORTS TO DUTY-FREE BUSINESSES IN CARIBBEAN, TURKS AND CAICOS ISLANDS AND PANAMA (LIQUEURS).

4. CEMENT IN RECENT YEARS HAS BEEN SIGNIFICANT EXPORT PRODUCT TO US BUT IN JULY 1977 BAHAMA CEMENT CO., FREEPORT (WTDR 74 NASSAU 1805), A \$75 MILLION WHOLLY-OWNED SUBSIDIARY OF US STEEL CORPORATION CLOSED (NASSAU 1123) AND ITS CEMENT STOCKS WERE EXHAUSTED IN AUGUST 1977. SINCE AUGUST THE BAHAMAS HAS BEEN IMPORTING LARGE QUANTITIES OF CEMENT, CHIEFLY FROM SOUTH FLORIDA.

5. SALT, ANOTHER MAJOR EXPORT PRODUCT TO THE US, IS INFLUENCED BY FACT BOTH SOLAR SALT PLANTS ARE WHOLLY-WONED US-SUBSIDIARIES: MORTON (BAHAMAS) LTD., MATTHEWTOWN, INAGUA (PARENT COMPANY IS MORTON NORWICK) (WTDR JULY 1970); AND DIAMOND CRYSTAL SALT CO., DEADMAN'S CAY, LONG ISLAND (HEAD OFFICE IN ST. CLAIRE, MICHIGAN) - (NASSAU A-23).

6. HORMONES AND INORGANIC CHEMICALS ARE PRODUCED AT

SYNTEX CORPORATION PLANT IN FREEPORT (REGISTERED IN PANAMA, U.S.-OWNED) - (WTDR NASSAU 805). CHIEF EXPORT TO US IS BIRTH CONTROL PILLS AND VARIOUS STERIODS.

7. BAHAMAS OIL REFINING CO. LTD. (BORCO), FREEPORT, GRAND BAHAMA (WTDR 74 NASSAU 616) WHICH IS 65 PERCENT OWNED BY NEW ENGLAND PETROLEUM CORPORATION (WHICH IS 100 PERCENT OWNED BY CAREY ENERGY CORPORATION) AND 35 PERCENT OWNED BY CHEVRON OIL BAHAMAS LTD. (WHICH IS 100 PERCENT OWNED BY STANDARD OIL CO. OF CALIFORNIA), IMPORTS ITS PETROLEUM PRINCIPALLY FROM SAUDI ARABIA, NIGERIA, AND LIBYA FOR REFINING, AND RE-EXPORTS ITS PRODUCTS, PRINCIPALLY MOTOR SPIRITS, AVIATION FUEL, DISTILLATE FUELS, AND RESIDUAL FUEL OILS TO MAINLAND US AND ALSO LIMITED OFFICIAL USE

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TO PUERTO RICO (NASSAU A-23).

8. ARAGONITE IS PRODUCED BY MARCONA OCEAN INDUSTRIES, ON OCEAN CAY, BIMINI AND IS NOW A WHOLLY-OWNED US SUBSIDIARY OF MARCONA CORPORATION. (FORMALLY OCEAN INDUSTRIES WAS A WHOLLY-OWNED SUBSIDIARY OF CYPRUS MINES, INC.) ITS TOTAL EXPORTS IN 1976 WERE \$3,601,000 (NASSAU A-23), PRINCIPALLY TO US FOR FURTHER PROCESSING INTO CEMENT, GLASS, OR CERAMIC PRODUCTS.

9. CRAWFISH IS ONLY MAJOR EXPORT INDUSTRY CONTROLLED BY SMALL BAHAMIAN ENTREPRENEURS. TOTAL EXPORTS IN 1975 WERE \$2,767,000 AND \$4,916,000 IN 1976. LARGE INCREASE IN 1976 WAS DUE TO SUCCESSFUL GOVERNMENT EFFORTS VIA UNDP TECHNICAL ASSISTANCE PROGRAM TO IMPROVING CRAWFISH MARKING SYSTEM TO NASSAU AND SOUTH FLORIDA.

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STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

FEA-01 /086 W

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FM AMEMBASSY NASSAU

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10. MINOR EXPORTS INCLUDE PULPWOOD WHICH INCREASED FROM \$771,000 IN 1975 TO \$1,549,000. INCREASE IN AVAILABILITY OF PRODUCT WAS REASON FOR DOUBLING EXPORTS OF THIS PRODUCT IN 1976.

11. ONLY OTHER MAJOR PRODUCTION FACILITY HERE IS GRAND BAHAMA PIPE AND STEEL CO. LTD., FREEPORT, WHICH PRODUCES DIAMETER SPIRAL WELD AND STEEL PIPE. THIS \$3 MILLION INVESTMENT BY WEST GERMAN KLOCKNER GROUP HAS PRODUCTION DESIGNED FOR EXPORT MARKET TO US, CARIBBEAN AND CENTRAL AMERICA. TO DATE EXPORTS TO US ARE SMALL.

12. AS WE STATED ABOVE BAHAMAS IS HIGHLY DEPENDENT ON LIMITED OFFICIAL USE

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US FOR IMPORTS AND EXPORTS. BAHAMAS IS BENEFICIARY OF GSP AND SIGNATORY TO ACP LOME COVENTION - BOTH OF WHICH WILL GROW INCREASINGLY IMPORTANT IF LOCAL INDUSTRY (LARGE OR SMALL) EXPANDS. BAHAMAS IS NOT ACTIVE PARTICIPANT IN GENEVA MTN NEGOTIATIONS NOR DOES IT HAVE ANY PLANS TO BE ACTIVE PARTICIPANT. BAHAMAS MINISTRY OF DEVELOPMENT AND MINISTRY OF FINANCE (BOTH ARE CONCERNED WITH TRADE MATTERS) REPORT THAT ONLY INSTANCE SINCE BAHAMAS INDEPENDENCE (JULY 1973) IN WHICH GOVERNMENT HAS BEEN ASKED TO ASSIST IN TARIFF MATTERS WAS ONE INSTANCE BY BACARDI AND CO. LTD. FOLLOWING UK ENTRANCE INTO COMMON MARKET THE BAHAMAS DID REQUEST, (THROUGH DIPLOMATIC CHANNELS) IN EUROPEAN COMMON MARKET MEETING THAT RUM BE DEFINED AT POINT OF ORIGIN SO THAT BAHAMAS PLANT COULD CONTINUE ITS BENEFICIAL MARKETING ARRANGEMENTS WITH CANADA AND UNITED KINGDOM.

13. IN LIGHT OF ABOVE, WE DO NOT RECOMMEND ANY EXPORT PRODUCT FROM BAHAMAS BE GIVEN ANY SPECIAL CONSIDERATION FOR TARIFF REDUCTION AT MTN NEGOTIATIONS UNLESS SUCH PRODUCT IS ALSO REQUESTED FOR REDUCTION BY ALL CARICOM COUNTRIES. WE DO RECOMMEND, HOWEVER, THAT TASK FORCE FOCUS ON LINKAGE BETWEEN US-OWNED INDUSTRIES IN THE CARIBBEAN AND TRADE RELATIONS BETWEEN THE US AND CARIBBEAN.

14. SPECIAL NOTE: SEVERAL PARAGRAPHS ABOVE MAKE REFERENCE TO WORLD TRADE DATA REPORTS (WTDRS) PREPARED BY THE EMBASSY. THESE CABLES ARE SENT TO USDOC WASHINGTON AND US DEPARTMENT OF STATE IS NOT INCLUDED ON DISTRIBUTION. THESE REFERENCES ARE INCLUDED BECAUSE WE FEEL WTDRS CAN PROVIDE ADDITIONAL INSIGHT TO NATURE OF US TRADE RELATIONS WITH THE CARIBBEAN.
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Message Attributes

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